

JFMIP NEWS

A Newsletter for Government Financial Managers

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New OMB Director and JFMIP Principal

Jacob J. Lew is the new Director of the Office of Management and Budget (OMB). He was confirmed by the United States Senate on July 31, 1998. As Director, he is responsible for coordinating Administration efforts on management, budget and appropriations related matters, and as a member of the Administration's Economic Team works closely on the development of Administration policy. Mr. Lew will serve as a JFMIP Principal to oversee the general direction of the Program. The other JFMIP Principals are the Secretary of the Treasury, Comptroller General of the U.S., and the Director of the Office of Personnel Management.



Prior to becoming Director of OMB, Mr. Lew was OMB's Deputy Director. As Deputy Director from August 1995 through July 1998, Mr. Lew had cross-cutting responsibilities within OMB to coordinate the Administration's efforts on budget and appropriations matters and worked closely with the Director and the White House on the development of Administration policy.

Mr. Lew began his career in Washington in 1973 as a legislative aide, and became a principal in domestic policy advisor to the late House Speaker Thomas P. "Tip" O'Neill, Jr. in 1979. He spent eight years at the House Democratic Steering and Policy Committee as Assistant Director and then Executive Director.

Mr. Lew has also served as an attorney in private practice for five years and other positions in the private and public sectors.

A native New Yorker, Mr. Lew is a member of the bar in the District of Columbia and the Commonwealth of Massachusetts. He graduated from Harvard College in 1978 and earned his law degree from Georgetown University Law School in 1983. □

New US Comptroller General Confirmed

David M. Walker was confirmed as the US Comptroller General by the US Senate on October 27, 1998. He is the seventh individual to serve as GAO's head in the agency's 77-year history. Mr. Walker is also a JFMIP principal.

Mr. Walker was previously a partner and global managing director at Arthur Andersen & Co. In that role he had varied executive responsibilities of the firm's human capital services practice. He headed the firm's work in helping organizations maximize their investments in human capital. He also headed the firm's employee benefit plan audit/assurance and independent fiduciary/risk management practices, and served on the board of Arthur

Andersen Financial Advisors. His work was international in scope, involving engagements in a wide range of public and private sector organizations, including government, financial services, institutional funds, insurance, transportation, manufacturing, health care, professional services, telecommunications, utilities, agriculture, defense contracting, retail, real estate, and energy. He is a co-author of the recent book, *Delivering on the Promise: How to Attract, Manage, and Retain Human Capital*; and the author of *Retirement Security: Understanding and Planning Your Financial Future*.



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A Joint Perspective

As we start the new Fiscal Year, JFMIP News includes its progress report against goals outlined in the Spring 1998 issue, as well as several more in-depth articles on our efforts. JFMIP's major focus areas are to improve financial management systems through developing and maintaining up-to-date financial management system requirements, reengineering the testing and certification process for core financial systems, improving communications through more effective use of WEB based tools, and enhancing development of financial management human resources. While each day progress appears elusive, looking back over the quarter, it is clear that the combined efforts of JFMIP and its CFO agency business partners are making headway against our strategic goals. What follows is a short summary that highlights key players, accomplishments against major milestones, and provides a forecast of major activities for the next quarter. I would like to salute and thank the many members of these teams and their bosses for sharing outstanding skills and abilities in support of these governmentwide initiatives.



Karen Cleary Alderman
Executive Director, JFMIP

Updating Financial Systems Requirements.

Core Financial System. The joint undertaking of the CFO Financial Systems Committee and the JFMIP to re-engineer the Financial Management Systems Software (FMSS) Schedule process requires: a comprehensive delineation of requirements by source; development of a comprehensive software testing and certification process; and separation of the software certification process from the procurement process to allow for the free flow of information. During the last quarter, significant progress has been achieved in updating the core financial system requirements. Details are included

in the article *Core Financial System Requirements: Improving the Communication Process*. This effort has formally introduced the concepts of "mandatory" requirements and "value-added" features into JFMIP system requirement document definitions. The key difference is that mandatory requirements are required by all Federal agencies in order to comply with the basic system functions as identified in law or governmentwide regulation. Value-added features are functional capabilities that may be required by some, but not all agencies, or are technical capabilities which enhance system functionality, but are not essential to meet basic functions.

The concepts of mandatory and value-added requirements have been imbedded in earlier requirements documents, but have not been explicit. The need to specifically delineate requirements by type has been elevated with the passage of the Federal Financial Management Improvement Act. That Act requires agency heads to substantially comply with JFMIP system requirements. We would like to emphasize that the law pertains to only the mandatory requirements. The JFMIP Knowledgebase will contain the full spectrum of requirements. With the concurrence of the Steering Committee, the Core Financial Systems document containing the updated mandatory requirements will be issued as an exposure draft in November.

Human Resources/Payroll. An exposure draft of the human resources and payroll systems requirements has been posted as an exposure draft on the JFMIP website for public review and comment. The written document was issued in November to those individuals on JFMIP's mailing list.

Travel. Mr. Bill Topolewski, Director, Financial Management Systems, GSA, is leading this project. The travel document will also include concepts of mandatory and value-added features. In addition, some mandatory requirements have been identified as business process dependent. For instance, cash advances issued by an agency require transaction tracking, aging, and reporting. Cash advances issued through government sponsored, contractor issued charge cards do not have to be tracked in the accounting system. Several

policy issues requiring clarification have surfaced from the travel system requirements review. These include: 1) taxation of reimbursement for one day travel that is less than 24 hours; (2) the use of Government Transportation Requests (GTR); and (3) clarification of data elements currently included in Federal Travel Regulations (FTR) and a determination of which of these data must be included as system requirements. These should be resolved prior to reissuance of the Travel System requirement. JFMIP has contacted agency CFOs to poll their willingness to eliminate the use of GTRs by the end of FY 1999. We are working with the Department of the Treasury, Office of Tax Policy on the one-day tax issue. The team is working with the GSA Office of Governmentwide Policy and OMB to delineate which data elements identified in the FTR will have to be captured at the transaction level. These are not small issues in terms of system requirements definition. However, we are optimistic. The team leaders believe that the draft document will be forwarded for JFMIP Steering Committee concurrence for issuance of an exposure draft to the public by the end of this month.

Direct Loans. The Department of Education has taken a proactive approach in updating the direct loan system requirements. Ms. Linda Paulsen, Director, Accounting and Financial Management Service, Department of Education is the project sponsor, and Ms. Maureen Harris, Director, Loans Financial Management Division, Education, is coordinating the teamwork. Other members of the team are: Paul Valentic, Keith Ingram, and Isiah Dupree. Meetings were held in September and October to discuss the draft changes made to the current document that reflect known statutory and regulatory changes. The team includes members from Education, Agriculture, GAO and others. The team plans to complete the governmentwide review process by the end of October. A draft to the JFMIP Steering Committee is expected to be distributed at the November meeting.

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New JFMIP Chairs

Robert E. Rubin, currently the Secretary of Treasury, is the new Chair of the JFMIP Principals. Other Principals include the General Accounting Office (GAO), the Office of Management and Budget (OMB), the Office of Personnel Management (OPM), and the General Services Administration (GSA). The JFMIP will work with all Federal agencies to improve Federal financial management practices in government, especially systems requirements and human resources development. The Chairmanship rotates among the four central agencies biennially. OMB chaired the Principals and Steering Committee the last 2 years.

Previous to becoming Secretary of Treasury, from January 20, 1993 to January 10, 1995, Mr. Rubin served in the White House as Assistant to the President for Economic Policy. In that capacity, he directed the activities of the National Economic Council. The NEC's principal functions include: overseeing the Administration's domestic and international economic policymaking process, coordinating economic policy recommendations to the President, ensuring that economic policy decisions and programs are consistent with the President's stated goals, ensuring that those goals are effectively pursued, and monitoring the implementation of the President's economic policy goals.

Prior to joining the Administration, Mr. Rubin spent 26 years at Goldman, Sachs & Co. in New York City. He joined Goldman in 1966 as an associate, became a general partner in 1971 and joined the management committee in 1980. Mr. Rubin was Vice Chairman and Co-Chief Operating Officer from 1987 to 1990 and served as Co-Senior Partner and Co-Chairman from 1990 to 1992. Before joining Goldman, he was an attorney at the firm of Cleary, Gottlieb, Steen & Hamilton in New York City from 1964 to 1966.

Mr. Rubin's previous activities included membership on the Board of Directors of the New York Stock Exchange, Harvard Management Company, New York Futures Exchange, New York City Partnership and the Center for National Policy. He has also

served on the Board of Trustees of the Carnegie Corporation of New York; Mt. Sinai Hospital and Medical School; the President's Advisory Committee for Trade Negotiations; the Securities and Exchange Commission Market Oversight and Financial Services Advisory Committee; the Mayor of New York's Council of Economic Advisors; and the Governor's Council on Fiscal and Economic Priorities for the State of New York.

Mr. Rubin, born in New York City, graduated summa cum laude from Harvard College in 1960 with an A.B. in economics. He received a L.L.B. from Yale Law School in 1964 and attended the London School of Economics.

Don Hammond is the new JFMIP Steering Committee Chair, beginning October 1, 1998. The other JFMIP Steering Committee members are representatives from the GAO, OMB, OPM, GSA, and the JFMIP Executive Director. The Steering Committee meets monthly to oversee projects and activities of the Program.



Mr. Hammond is the Fiscal Assistant Secretary (FAS) of the Department of Treasury. He was confirmed on September 27, 1998. As FAS, he provides policy oversight over the activities of the Financial Management Service and the Bureau of the Public Debt. The office also serves as the Treasury's liaison with the Federal Reserve System in its capacity as the government's fiscal agent. The scope of these responsibilities include management of the government's cashflow, credit administration and the operation of government-wide financial accounting and reporting systems. Mr. Hammond chairs the Treasury Working Group on implementing the statutory mandate to make all Federal payments electronically by January 1999 (EFT'99).

JFMIP Issues Two Financial Systems Exposure Drafts

JFMIP issued exposure drafts for the Core Financial System Requirements and Human Resources & Payroll Systems Requirements on November 5, 1998. The documents have been mailed to Agency Senior Financial Officials for review and comments and can be access in the FinanceNet website at <http://www.financenet.gov/financenet/fed/jfmip/jfmipexp.htm>. □

Correction

The JFMIP document for *System Requirements for Managerial Cost Accounting* has the incorrect title of *Managerial Cost Accounting System Requirements* on the cover page of publication FFMSR-8 dated February 1998. The body of this publication contains the correct title and an errata sheet is being sent with hardcopy publications that will be distributed in the future. The electronic version of this publication on our website has the correct title. □

Previous to that, he was the Deputy Fiscal Assistant Secretary. He was the Assistant Director of the Treasury Department's Government Securities Regulations Staff which has the responsibility for implementing the regulations promulgated under the Government Securities Act. That staff is responsible for developing regulations for government securities brokerdealers in the areas of financial responsibility, custody, record keeping and reporting. Mr. Hammond also advised on issues impacting the government securities market including derivative products and sales practice rules.

Mr. Hammond received a Masters Degree in Finance and Accounting from Northwestern University's J. L. Kellogg Graduate School of Management and is a graduate of Duke University with a B.A. in Chemistry and Economics. □

The CFO Council Statement of Principles for Education & Training

The Federal financial management community must make substantial investments in professional development of its workforce in order to successfully meet requirements for financial services and integrity. Well-designed and delivered education and training programs are critical to developing and maintaining the required level of technical, professional and managerial expertise for Federal financial management. The following principles apply to planning and evaluating education and training programs for Federal financial management:

Quality and Accreditation

Education and training providers should meet the standards for accreditation or certification that are appropriate for their course offerings. Providers should have an on-going process to assess and enhance the relevancy, currency and technical soundness of course content. These assessments should draw from customer as well as internal evaluations. Instructors should be evaluated for their effectiveness in communicating course content.

Core Competency Profiles

Education and training courses should demonstrate, in an affirmative manner, that each course is consistent with the core competency profiles for financial management occupations that have been identified by the CFO Council and published in partnership with the JFMIP. Where appropriate, practical application of the course material to the Federal financial management environment should be emphasized.

Delivery

Education and training providers should provide flexible, effective alternative methods of course delivery, including on-site classroom, distance learning, self-study, etc., in order to meet the diverse needs of agencies and students. □

Federal Government Year 2000 Activities

The Federal government is leading a Presidential initiative to promote cooperation among Federal, State, local, and tribal governments on Year 2000 issues. Year 2000 initiatives are also underway with industry, international organizations, and citizens. Cynthia Warner, Director of the Year 2000 and IT Issues Division of the General Services Administration, and her staff provide full-time support for the President's Council on Year 2000 Conversion and the Chief Information Officers (CIO) Council Committee on Year 2000 for the Federal Government.



The President's Council on Year 2000 Conversion was created to establish public and private sector partnership forums; gauge the preparedness of Federal, state, local and tribal governments for Year 2000; and ensure the development of contingency plans to assure the continuing delivery of critical public and private sector services. To assist in accomplishing these efforts, a Year 2000 website was developed that provides information and resources grouped by economic sectors (e.g., energy, finance/banking, health care, international, public benefits, small business, telecommunications, transportation, state, local and tribal services, etc.). The web site address is <http://www.y2k.gov>.

The CIO Council Committee on Year 2000 was created to address Federal agency Year 2000 awareness, leverage resources, and provide a clearinghouse to share information and solutions. Three Year 2000 web sites have been developed: (1) Federal Government Year 2000 Information Directory; (2) International Year 2000 Information Directory; and (3) International Year 2000 Virtual Conference. All of the above web sites are accessed through <http://www.itpolicy.gsa.gov>.

The Year 2000 Information Directory is a one-stop source for everyone interested in Year 2000 issues. Information on the Directory include: Federal Acquisition Regulation on Year 2000, Recommended Contract/Warranty Language, best practices, legal issues, govern-

ment documents, Congressional hearings, and links to other Federal, state, and private industry Year 2000 sites. Databases on the Directory include commercial off-the-shelf (COTS) products; telecommunications; facilities; and biomedical. These databases provide information about products that are Year 2000 compliant. A Data Exchange database is provided for Federal agencies and state governments to share information about system readiness (this web site is not available to the public).

Contingency planning is a popular topic now as we get closer to the Year 2000. The following documents on the web site address contingency planning:

- U.S. Government Social Security Administration Contingency Plan at <http://www.gsa.gov/gscio/ssay2kb1.htm>; and
- U.S. Government General Accounting Office Year 2000 Continuity and Contingency Planning Guide at <http://www.gao.gov/special.pubs/bcguide.pdf>

The international web sites were developed in support of the Group of Eight (G8) Government On-Line (GOL) to encourage collaboration and information sharing of global Year 2000 preparedness. The International Directory links to web sites around the world and provides information from international organizations. The International Virtual Conference is ongoing and currently provides 65 papers by authors from different countries. This site provides a centralized global forum for questions, answers, and comments and encourages a collaborative effort in Year 2000 preparation.

Ms. Warner travels around the nation and the world sharing the Federal government's Year 2000 initiatives, and to make citizens and organizations aware of the Year 2000 challenge. A major outreach effort is underway to provide Year 2000 information to citizens, local and county governments, Tribal and Hispanic communities. Six brochures have been developed and two white papers have been published on this subject to provide information on how to prepare for the Year 2000 technology challenge. □

FINANCIAL MANAGEMENT PROFILE

Richard L. Gregg was appointed Commissioner of the Financial Management Service (FMS), a bureau of the Department of the Treasury, on February 15, 1998. FMS provides leadership and direction to Federal agencies on a variety of financial management matters. The mission of the Service is to develop and manage Federal financial systems to move the government's cash flows efficiently, effectively, and securely.

As Commissioner of the FMS, Mr. Gregg has the responsibility for managing over \$2 trillion a year in collections and disbursements of Federal revenues. He also oversees government-wide program responsibilities for accounting, cash management, and debt collection. Since 1987, Mr. Gregg had served as Commissioner of the Bureau of the Public Debt.

Mr. Gregg joined the Department of Treasury in 1970, and has served in a variety of managerial positions. He began his Federal civilian service in 1970 with the FMS. In 1976, Mr. Gregg joined the Bureau of the Public Debt and served as the Assistant Commissioner in the Office of Financing. From 1981 through January 1987, he was the Deputy Commissioner of Public Debt. In addition, Mr. Gregg served in the United States Air Force.

A native of Harrold, South Dakota, Mr. Gregg holds a Bachelor's degree in political science from the University of South Dakota, Vermillion, South Dakota (1969), a Master's Degree in Public Administration from the George Washington University, Washington, DC (1971), and a Law Degree, also from the George Washington University (1977). He is a member of the Virginia Bar Association.

In his role as the Commissioner of FMS, one of his primary roles is to set priorities and direction and to make sure that FMS has the right people in the right places to meet FMS' objectives. His focus is not only on performance, i.e., doing the right things efficiently and effectively, but also on establishing and reinforcing the values and culture of the organization, i.e., how the organization works together internally and externally.

When asked about his management style, Mr. Gregg believes that to be successful, you need a balance — there needs to be leadership and direction-setting and a willingness to act and to take risks. Individuals need to understand your expectations and be held accountable. At the same time you need to give employees the freedom to grow and to be responsible for what they do and to support them. He also strongly believes in the need to set long term direction, but get there through incremental steps. Finally, organizations need to work within a common set of values. Your own actions help articulate and reinforce those values, but it's also essential that you deal directly with those who don't support them.

Some agencies have a common concern in the financial management community regarding the lack of qualified, multi-skilled personnel to perform the more complex tasks. Mr. Gregg agrees that it is a challenge, but thinks managers are looking down the wrong end of the telescope. He believes that managers need to create an environment where good people want to work. Managers need to give them challenging and important work and also create an atmosphere that is open and participative with a minimum amount of "formality" or unnecessary bureaucracy. Managers also need to encourage and reward innovation and risk taking. Employees at all levels need to feel part of what's going on. Beyond that managers have a responsibility—that is often not exercised—to deal with those who are not performing up to expectations.

Downsizing has also had its effect across government and especially in the financial management and accounting areas. There are simply fewer people and the demands are greater than ever. FMS, like other organizations, is struggling to effectively deal with their priorities. They continue to look for opportunities to improve efficiency primarily through the use of automation. At the same time some of the resources "saved" through automation will be redirected to enable them to provide greater support and leadership in areas, such as government-wide accounting. He believes that it is important to identify those activities that are not critical and can be either eliminated or scaled back to allow resources to be assigned to higher priority functions.

Mr. Gregg believes that cross-training financial managers is important. At FMS, he sees a vast array of issues that financial managers must deal with each day. Today's manager needs to be knowledgeable in many different areas. While formal class-room type training has value, he tends to favor "on the job" training, through special projects or temporary assignments to another job. Today almost any project or initiative involves numerous disciplines and you can only succeed by teamwork. Being a part of these multi-discipline teams is beneficial and educational.

In the area of cost management, Mr. Gregg believes that if managerial cost accounting is implemented properly and used for the right things, it can have a positive impact on the financial management community. He warns that you have to be careful not to "dip too deep" into the organization or to make the accumulation of data so time-consuming and costly that it dies of its own weight. If you implement cost accounting, you should treat it as a useful management tool, but you still need to provide leadership and make decisions.

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Perspective, continued from page 2.

Guaranteed Loans. Mr. William George from the Small Business Administration (SBA) is the project leader. Planning meetings were held with JFMIP staff and the Direct Loan project



team to discuss "lessons learned" with the update of the direct loan system requirements and to coordinate the efforts to update this document with the Direct Loan team since some of the members are the same. A kick-off meeting will be scheduled soon to begin the update effort. Some additional team members from other agencies need to be identified for this project.

Seized/Forfeited Assets. At a recent meeting with team leaders from the Departments of Justice and Treasury, and the JFMIP, a discussion draft of the updated seized/forfeited assets system requirements document was distributed. Several sections still need to be developed. JFMIP will be contacting regulatory agencies, especially in the area of public health and safety, to find out if there is anything that should be included in the discussion draft. The team leaders expect that a revised draft will be completed in November.

For Development:

Grants. The CFO Grant Management (GM) Steering Group, led by Mr. Albert Muhlbaier, met on October 5 to discuss the plan to develop grant management system requirements. The CFO Council GM Committee and the Interagency Electronic Grants Committee (IAEGC) have agreed to work jointly on this project. The project leaders are still identifying team members for this project. A kick-off meeting will be scheduled in November.

Property Management. JFMIP still needs to obtain a team leader for the development of these requirements. A proposal to set up a steering advisory committee will be presented to the JFMIP Steering Committee at its November meeting.

Reengineering the Testing and Certification Process for Core Financial Systems Software

On October 1, 1998, JFMIP and the CFO Council Financial Systems Committee presented updated core financial system requirements during an Open House to government and industry and through the formal launch of the Knowledgebase. Requirements included mandatory functions and value-added features. The mandatory requirements are the basis for the development of the testing and certification process. Key steps that will occur in the next quarter include the development of test questions and the first phase in the validation of the test questions. In developing test questions, we will build upon past tests, matching existing test questions to the core mandatory requirements (requirements that must be passed prior to the software being certified), and developing new questions where needed. The test questions will be developed with expected results, providing the vendor community with information necessary to prepare for the actual certification tests. We will conduct a series of focus groups, first with Federal agencies and then with the vendor community, to review and strengthen the test questions and process.

After we complete the test questions and expected results, we will begin the next phase of the process, which is to conduct an internal test of the test questions, to verify that the test will work, as designed. The planned JFMIP Program Management Office (PMO) will be responsible for the testing and certification of core financial system software using the tools that are currently under development. The Omnibus Act authorizes the use of government credit card rebates to fund JFMIP PMO initiatives.

Exploiting Information Technology—The "Knowledgebase"

One of JFMIP's goals is to improve communication by making better use of the WEB. To meet that goal and to concurrently support the issuance of the detailed core systems requirements database, we have developed an electronic repository prototype with the help of Logistics Management Institute. This capability was opened to the public on October 1, 1998. More details are provided in the article entitled *JFMIP Knowledgebase Core Financial System Website*.

Professional Development of Financial Management Personnel

In conjunction with the Chief Financial Officers (CFO) Council's Human Resources Committee (HRC), the JFMIP is coordinating the work of the review board to ensure currency of core competencies documents. The review of the core competencies for accountants, budget analysts, and financial managers are now completed. The exposure draft changes will be posted electronically on both JFMIP and the CFO HRC websites in November. The printed versions of these core competencies documents will follow.

We are also working with the HRC Professional Development subcommittee on developing a new webpage that will replace the calendar of financial management training. To make it easier for users, information on financial management education and training courses that meet core competencies will be posted by the training providers. The webpage will allow the user to search for a training course by function or by training providers. More accurate and current information can be accessed by the user, since this website will hyperlink with the websites of the training providers. We have met with several training providers to discuss the feasibility of getting this information online and expect to be pilot testing this concept by the end of the year.

JFMIP Conference and Award Process. The JFMIP is currently planning the program for our 28th Annual Financial Management Conference on March 19, 1999. This year's theme is "The Future is Now—Implementing Financial Management Initiatives." More information on the Conference will be provided in the next issue of JFMIP News. The brochures soliciting award nominations for financial management leadership in the public sector - The Scantlebury Award— were distributed in September. If you have not received your copy, please contact our office to request one. We look forward to presenting an outstanding summary of major government initiatives and to recognizing outstanding contributors in the financial management community.

Please give us a call at (202) 512-9201 or write to us if you would like to assist in any of these projects. □

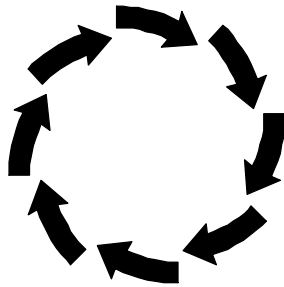
Intra-Governmental Transfer System Offers Government Business Solutions

In Fiscal Year 1998 (FY98), Federal agencies purchased approximately \$461 billion in goods and services from each other. To handle these unique transactions the Electronic Processes Initiatives Committee (EPIC), a government workgroup sharing information to improve government processes, is developing a system to handle these intra-governmental transactions. EPIC is comprised of executives from the Office of Management and Budget (OMB); the Department of the Treasury, the General Services Administration (GSA); and the Department of Defense (DoD). One of these notable improvements is the Intra-Governmental Transfer System (IGOTS), which uses Treasury's Plastic Card Network (PCN) agreement and GSA's SmartPay contract to process intragovernmental credit card payments. The PCN provides government merchants with the ability to accept credit cards, and SmartPay enables the government to pay for goods and services using a credit card.

EPIC's goal was to improve the internal payments process by developing an electronic solution that would reduce costs. EPIC also recognized the benefit of allowing agencies to use their VISA or MasterCard brand purchase cards to buy goods or services from each other. This option provides the ease of using commercially-branded clearing-only financial services without imposing additional governmental rules and regulations. In fact, commercial sector operating rules and governance are used whenever possible.

In 1996, the government paid approximately \$6 million dollars in merchant fees to handle intra-governmental credit card payments. EPIC identified the reduction of these costs as a solution that IGOTS could provide. One way to reduce the costs of these fees would be to require a flat rate transaction fee, which would significantly reduce the typical merchant fees paid on credit card transactions. In addition, EPIC identified several accounting problems. The current

system does not identify intra-governmental payments, which causes problems in balancing transactions to \$0, or performing an "elimination." For example, if Agency X purchased widgets from Agency Z for \$100, Agency X has spent \$100 and Agency Z has collected \$100, but the government as a whole has not spent or earned money based on this transaction. Eliminations have an important impact on the government's ability to accurately reflect the financial condition of the government because they affect the reliability of the financial statements.



The IGOTS system solves these problems by providing the following improvements:

- Identifies IGOTS transactions;
- Enables agencies to improve the accuracy of audited financial statements;
- Enriches accounting information;
- Enhances cash management by keeping funds within the government;
- Saves money by providing a less costly flat rate transaction fee and using an automated system; and
- Uses emerging technologies.

EPIC is also focusing on how to use emerging technologies to improve the way the government conducts business. The new IGOTS is fully automated. Many of the vendors involved are offering sophisticated Internet solutions which will provide agencies with a wealth of current information. Agencies, such as the General Services Administration and the National Institutes of Health, have developed intra-malls, web sites which allow agencies to shop via the Internet using their purchase cards.

The new purchase card program will begin on Nov. 30, 1998. Implementation of IGOTS is ongoing, and testing is expected to begin in early 1999. Federal agencies may be able to take advantage of the IGOTS system as early as May 1999. □

CFO Fellows Sighted at NSF

Nine Chief Financial Officers (CFO) Fellows from the Class of 98 visited the National Science Foundation (NSF) on Friday, July 17, 1998 to receive a briefing on the NSF financial operations and FinanceNet. The CFO Fellows are a prestigious group of financial management personnel competitively selected to develop their demonstrated potential for leadership within the Federal financial community. The CFO Council created the Fellows program to provide high caliber individuals with the career development opportunities needed to become future CFOs and Deputy CFOs.

As part of the Fellows' year long development activities, Al Muhlbauer, NSF's Deputy CFO, hosted the first in a series of government-wide briefings by describing the financial practices, systems and technology utilized by NSF. NSF funds research and education in science and engineering through grants, contracts and cooperative agreements to more than 2,000 colleges, universities and other research and/or education institutions in all parts of the United States. NSF has implemented several initiatives which enables this independent Agency to operate in a nearly paperless environment. These applications include an automated checkbook approach to budget execution, spending and reconciling its current \$3.5 billion appropriation; electronic mechanisms for automated grant awards and funds drawdown; and the 100 percent automation of its time and attendance tracking/reporting system. Impressed with the efficiency and automation of NSF's financial operations, the Fellows gleaned a number of valuable ideas that can be applied to financial management practices within their respective organizations.

Joseph L. Kull, the NSF CFO, visited the Fellows during their brown bag lunch session. Mr. Kull exchanged introductions and openly shared his views on the characteristics of a successful Federal financial executive.

FinanceNet Director, Preston Rich, provided an overview of FinanceNet and

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Good News and Lessons Learned from FACTS II Pilot

The Federal Agencies Centralized Trial-Balance System (FACTS) II project, an Office of Management and Budget (OMB) -Treasury initiative to eliminate duplicate year-end reporting, achieved a key milestone this Fall as eight agencies taking part in a pilot provided submissions for 25 accounts. Data were equivalent to third quarter SF 133 Report on Budget Execution submissions that agencies had already provided to OMB.

Starting in Fall, 1999, FACTS II will be used to fulfill the requirements of the FMS 2108, Year End Closing Statement; the SF 133, Report on Budget Execution; and be used to produce much of the initial set of prior year data in the Program & Financing Schedule in the President's Budget.

The Good News

The pilot proves that Agencies can access FACTS II, pull data directly from their accounting systems for entry into FACTS II, and verify that their submissions matched what they had reported to OMB. The pilot also demonstrates that staff in the pilot agencies understand the U.S. Standard General Ledger (SGL), the FACTS II data model, and how FACTS II data relates to OMB and Treasury reporting requirements. There was a great sense of satisfaction by the FACTS II team and agencies seeing data entered, passing edit checks, and being formatted for presentation as an SF 133 report.

The pilot highlighted a number of problems that must be fixed, e.g., the screens presented for data input required too many key strokes. This is good news because there is sufficient time to resolve these problems long before FACTS II becomes operational starting in Fall, 1999.

The final piece of good news comes from a survey OMB administered in August to determine whether agencies will be prepared to use FACTS II for 1999 year-end reporting. With one exception, every bureau in every cabinet department and nearly all independent agencies said they are taking the steps needed to use FACTS II starting in Fall 1999. There were also a number of lessons learned.

Lessons Learned: FACTS II Easier to Use for SGL-compliant Agencies

The FACTS II team saw that many accountants in the participating agencies are very familiar with the U.S. SGL. However, the systems used in some pilot agencies are



not SGL-compliant. The greater the deviation in the agency system from the SGL, the tougher it was — and the more difficult it will be in the future — for the agency to use FACTS II. Put in broad terms, it will be much easier for agencies to use FACTS II when: 1) the agency system records the required data, and 2) the data is in the format required by the SGL.

Lessons Learned: Configuration requirements

Based on the pilot, the minimum configuration requirements for PCs that work with FACTS II have been upgraded to ensure adequate performance.

PCs must have Netscape or Microsoft Explorer. When FACTS II first becomes operational in Fall 1999, agency users will establish a dial up connection to the Treasury's Financial Management Service (FMS) network, and then use Netscape or Explorer to work with FACTS II. Steps are now being taken so that in the future agencies will be able to access FACTS II directly via the Internet.

The minimum operating system requirements have been revised. FACTS II users will need to have Windows 95, 98 or NT on their PC desktops. Windows 3.1x versions will not be supported. The revised minimum specifications are the same as those required of agencies that enter data into OMB's budget formulation system.

The minimum recommended hardware requirements have changed. Agency users are strongly encouraged to use a 28.8 kb or faster modem. It will be possible but very difficult to work with FACTS II using slower modems. FACTS II users are also encouraged to use pentium PCs with 32 megabytes of RAM. It will be possible to work with FACTS II with a 486, or with less RAM, but performance will suffer.

The pilot also highlighted a number of programming bugs with the FACTS II edits, which have now been fixed, and helped to identify different edits that need to be introduced.

Existing Edits: At this time, FACTS II uses three edits to help ensure the internal consistency of adjusted trial balance data submitted by the agencies: (1) Budgetary Debits must equal Budgetary Credits; (2) Total Resources must equal the Total Status of Resources; and, (3) Unobligated balances from the beginning period must equal the prior year's status of resources at year-end. At year-end, other edits are used to ensure that certain adjusted trial balances must have zero balances; fund resources must equal fund equities; and, the fund balance with Treasury is matched.

Additional Edits: A number of additional edits will also be in place when FACTS II becomes operational in 1999. These include: (1) ensuring that adjusted trial balance disbursements and collections agree with comparable data submitted on the SF 224, Statement of Transaction; and, (2) capturing the partner's agency and fund symbol when transfers are reported.

In implementing FACTS II, OMB and Treasury have improved the consistency of guidance in OMB Circulars A-11 and A-34, and the Treasury Financial Manual.

Changes Thus Far: OMB has dropped many requirements that required agencies to separately identify obligations incurred by resource type, e.g., budget authority, offsetting collection. The FMS 2108 requirement to report status by resource type has also been dropped for FACTS II users.

Continued on Page10.

Core Financial System Requirements: Improving the Communication Process

The Joint Financial Management Improvement Program (JFMIP) and the Chief Financial Officers (CFO) Council Financial Systems Committee hosted the Financial Management System Software (FMSS) Requirements Open House on October 1. This forum was designed to discuss ongoing efforts to improve the Core Financial System requirements; testing and certification process; to demonstrate the new Knowledgebase; and to initiate discussion of the proposed testing and certification process for Core financial system software. This informational meeting was held to help achieve a more effective partnership between government and industry through improved communication, better understanding of requirements, and increased availability of affordable alternatives of quality solution.

The first step to improve the Core Financial System requirements was the Requirements Development Phase. The objectives of this phase were two-fold, to update the current requirements and to also develop a new requirements process. The current requirements were updated for changes in law and regulations and to provide consistency between the JFMIP Core Financial System requirements and the requirements included in the FMSS Request for Proposal issued by the General Services Administration (GSA).

The new requirements process was developed to:

- maintain a current, comprehensive set of requirements;
- expand requirements to include "features" that may not be required for all systems but that add value;
- provide for early announcement of proposed changes to requirements and invite comment before the exposure draft process; and
- link requirements to the qualification test.

The requirements are now classified as mandatory or value-added. The mandatory financial requirements are the JFMIP core requirements that must be satisfied for new

Core Financial System Requirements Comparison of Features	
<u>As Is</u>	<u>To Be</u>
■ JFMIP Core Requirements out of date	→ ■ Formal periodic update process
■ SOW Section C requirements different from JFMIP Core Requirement	→ ■ Knowledgebase contains latest set of requirements
■ Changed and new requirements first announced in SOW Section C Mod	→ ■ Changed and new requirements announced for comment in Knowledgebase
■ Some requirements "vague"	→ ■ Knowledgebase allows for dynamic comments to improve requirements statement
■ All requirements mandatory -pass/fail	→ ■ Requirements are mandatory or value-added and tested differently
■ Requirement and test not linked	→ ■ Requirement and test case linked
■ New requirement source not specified	→ ■ New requirement source identified
■ New requirements and changes not highlighted	→ ■ New requirements and changes clearly identified and dated

software procurements and must also pass the pass/fail test. The pass/fail test is the same as the previous Software Capabilities Verification test conducted by the General Services Administration (GSA).

The value-added features are technical and functional software capabilities beyond the core requirements. These capabilities are evaluated and not tested. Some

examples of value-added features are software packages that have budget formulation, financial planning, working capital fund, revolving fund, electronic signatures, document imaging, and integrated workflow.

Continued on Page 16.

Core Financial Management Functions -Comparison		
<u>JFMIP Core Financial System Requirements</u>	<u>Section C - SOW</u>	<u>To Be New Functional Requirements</u>
<ul style="list-style-type: none"> ■ System Management ■ USGL Management ■ Funds Management ■ Payment Management ■ Receipt Management ■ Cost Management ■ Reporting 	<ul style="list-style-type: none"> ■ System Management ■ USGL Management ■ Funds Management ■ Payment Management ■ Receipt Management ■ Cost Management ■ Reporting ■ Security ■ Year 2000 	<ul style="list-style-type: none"> ■ System Management <ul style="list-style-type: none"> ■ Integration ■ USGL Management ■ Funds Management <ul style="list-style-type: none"> ■ Budgeting ■ Payment Management ■ Receipt Management ■ Cost Management <ul style="list-style-type: none"> ■ Working Capital Funds ■ Reporting <ul style="list-style-type: none"> ■ System Requirements ■ Security ■ Year 2000

FASAB Update

The months of June through August saw significant developments in several areas of the Federal Accounting Standards Advisory Board's work, notably the Exposure Draft *Management's Discussion and Analysis*, credit reform, and Property, Plant, and Equipment. These and other issues the Board dealt with during this period are discussed below.

Management's Discussion and Analysis

At the June meeting the Board considered a revised draft statement of concepts and standards for management's discussion and analysis (MD&A), reflecting changes the Board had discussed at its April meeting. The revision defines MD&A as required supplementary information (RSI), but the standard is general in nature and not prescriptive.

The proposed standard indicates that a report that presents a Federal reporting entity's financial statements in conformance with Federal accounting principles should include management's discussion and analysis of the financial statements and related information. MD&A should provide a balanced presentation that includes both positive and negative information about performance, trends, systems, and controls. MD&A should contain sections that address mission and organizational structure; performance goals, objectives, and results; financial statements; and systems and controls.

Board members agreed on changes to be made and further agreed that after the changes are incorporated into a revision, the Exposure Draft would be split into two documents - one on standards and the other on concepts - and reexposed for sixty days. This revised Exposure Draft was issued in September; comments are due by December 7, 1998.

Credit Reform

The Board continued discussing FASAB's Accounting and Auditing Policy Committee's (AAPC) Credit Reform Task Force's proposal to amend paragraph 25 of Statement of Federal Financial Accounting 2, *Accounting for Direct Loans and Loan Guarantees*. That paragraph requires reporting the amounts of expense by separate component (interest subsidy expense, default expense, fees, and

other costs) for direct loans and loan guarantees disbursed during the reporting year, rather than report the separate amounts of subsidy components actually disbursed, the AAPC Task Force proposed that loan programs disclose rates of individual subsidy components budgeted for the current year cohort.

Previously, the Board had indicated that it would like to assess the (1) usefulness of and (2) difficulty in preparing the subsidy component information required in paragraph 25 of SFFAS 2. Thus, at its June meeting, the Board heard representatives from two of the major Federal lending agencies, the Small Business Administration and the Department of Education, who talked about the work in complying with paragraph 25 and the procedures or systems these agencies have in place to produce the required data. Both of these agencies are able to comply with SFFAS 2 requirements for component information reporting.

FASAB staff are continuing to research whether and how the component information required in paragraph 25 is of use to reader of Federal agency financial statements. The staff is contacting such users as Congressional staff members and the Subcommittee on Federal Accounting and Auditing of the American Institute of Certified Public Accountants.

Property, Plant, and Equipment

The Board held a public hearing on June 26 on its proposed amendments to the standards on property, plant, and equipment (PP&E). The proposed amendments were published in the exposure draft, *Amendments to Accounting for Property, Plant, and Equipment*, dated February 1998. The proposals covered recognition and measurement of stewardship PP&E through changes to the definition and reporting of national defense PP&E and to accounting for multi-use heritage assets. Those testifying at the hearing chose, however, to speak only on the proposed changes to national defense PP&E. In particular, several speakers expressed concern that some fundamental program information would be lost by replacing reporting national defense stock values with

quantities and acquisition cost trends. Eight presenters discussed the various issues, from their own perspectives.

At its August meeting, the Board decided to recommend the proposed *Amendments to Accounting for Property, Plant, and Equipment*. The implementation date for the standard will be October 1, 1999, with early implementation encouraged. Based on the views of respondents, an additional action the Board took was to initiate a project to research user information requirements for national defense PP&E. □

FACTS, continued from page 8.

Changes Under Consideration: Other changes are also being considered, such as changes in the U.S. SGL to clarify existing definitions, making SGL definitions more understandable to budget staff, and improving the maps between the SGL and the FMS 2108, SF 133. The Program and Financing Schedule will also be implemented next year. For example, the SGL Board will be asked to make changes with allocation transfers. The result would be to use one set of SGL accounts for transfers of new budget authority and a different set of SGL accounts for transfers of prior year balances. This would improve the map between data in SGL-compliant accounting systems and the P&F Schedule.

Future Pilot

A pilot is planned for January, 1999 when at least 10 agencies will submit FY 1998 year-end data for 400 fund symbols. This pilot will introduce a larger number of agencies to FACTS II, allow some agencies to use bulk transfers to send in their FACTS II data, and enable FMS and OMB to assess how FACTS II handles year-end reporting requirements.

For additional information, especially if you are interested in taking part in the January pilot, please contact Chris Fairhall, (202) 395-4836 / email Chris_Fairhall@omb.eop.gov or Jeff Hoge, (202) 874-6179 / email Jeff.Hoge@fms.sprint.com. □

JFMIP Knowledgebase - Core Financial System Web Site

The Joint Financial Management Improvement Program (JFMIP) has opened a new JFMIP Knowledgebase - Core Financial System Web Site. The new Web Site Knowledgebase contains information about the Federal core financial system requirements and qualification process. The site, operated by the newly formed Program Management Office of JFMIP, is a key tool in implementing the Chief Financial Officers (CFO) Council's priority to improve Federal financial systems. It is part of the PMO's ongoing efforts to improve communications with software vendors -building a public-private partnership - and improve the availability and performance of commercial-off-the- shelf systems. The site will also provide an information resource that Federal agencies can use to gather financial system product information and to share lessons learned and best practices.

The JFMIP Knowledgebase - Core Financial System Web Site is an important part of efforts announcing significant changes in the software qualification process for Federal core financial systems. Recent changes developed by JFMIP and the Financial Systems Committee of the CFO Council have streamlined the qualification process and updated requirements to comply with changes in the law and regulations. The JFMIP Knowledgebase - Core Financial System Web Site is an important communications link, providing advance notice about proposed changes to requirements and providing a media for exchanging comments and recommendations - prior to the formal exposure draft review process.

The site will contain the latest set of core financial system requirements in an online

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IGnet — Continuing Its Service to the IG Community

As more and more Inspectors General are moving towards a paperless audit environment, the use and reliance on the internet is increasing. Sites like IGnet provide a means by which information can be shared and a wealth of library style internet links to related sites.



The Federal Audit Executive Council (FAEC), a council of the heads of major Federal auditing agencies, has established working groups to develop and maintain new databases of information concerning today's business processes and current issues faced by auditors. The products of the working groups are now posted and maintained on IGnet. Currently, the FAEC page has:

- A report entitled "A Guide to Selecting Audit Work Paper Software." This report provides criteria for selecting software, perspectives from others using automated systems, evaluations of four different automated products and agency contacts involved in establishing an automated audit work paper process.
- The proceedings from a spring 1998 Paperless Audit Conference sponsored by the Environmental Protection Agency Office of Inspector General.
- A database of IG contacts with experience in various Government functional areas and processes. The database is sorted by functional area or by Agency and contains the contact's name, phone number and email address.
- A list of General Accounting Office contacts regarding financial audit issues. The list includes contact names, phone numbers, email addresses and their areas of expertise.
- A report entitled "Benchmark Auditing in the Federal Community." The report contains a definition of benchmark auditing, a list of reference

material on how to benchmark, the benchmarking code of conduct and links to other benchmarking web sites.

- A database of government processes undergoing benchmarking that identifies recent benchmarking audit and evaluation reports issued by FAEC member agencies.
- A report entitled "Survey of Computer Assisted Audit Tools."

Also as part of the FAEC page, a new Internet link library has been established focusing on electronic commerce and electronic data interchange. This library, which is updated monthly, contains an extensive set of Internet links which are categorized as follows:

- EC/EDI audits announced - a list of newly announced audits with links to the points of contact.
- EC/EDI audit reports - a list of issues audit reports with links to the report and/or the points of contact to obtain a copy.
- Audit Plans and Assistance - links to 9 sites providing downloadable audit plans or guidance via the Internet
- Points of Contact/Information Resources - links to sites such as the Electronic Commerce Program Office, the Secretariat for Federal EDI and the Interagency Acquisition Internet Council.
- Regulations and Guidance - including links to a glossary of EC/EDI terms and the Federal Acquisition Virtual Library.
- Training/Conference Opportunities - links to a variety of organizations offering training and conferences pertaining to EC/EDI.
- Electronic Commerce Vehicles in Use - a list of links to all current Federal government vehicles.
- Statistics on EC/EDI use - links to a site which records EC/EDI traffic for civilian agencies and Federal EDI server usage statistics.

Continued on Page 18.

FinanceNet News

With nearly 20 million "hits" per year, 50,000 Internet mailing list subscribers and 225

government newsgroups, FinanceNet is likely the largest government administrative "Internetworld" in the world.

FinanceNet has the dual missions of (1) providing the official U.S. government one-stop-shop Internet clearing site for information on the public sale/auction of some \$6 billion/year of surplus government property, and (2) providing Internet communications tools to intergovernmental organizations.

FinanceNet affords the opportunity to directly participate, at all levels of government, in reinventing government financial management by joining together thousands of linked public and private sector finance professionals, vendors, educators and taxpayers to share information and ideas for improving the stewardship and accountability of taxpayer resources.

Reinforcing Vice President Gore's vision that "Networks, not hierarchies will define government in the 21st century," FinanceNet serves a worldwide network of people that spans Federal executive agencies, international, state, local and municipal governments, professional organizations, vendors and taxpayers that crosses public-private sector boundaries to seek new economies and synergies in the way government does business and manages its resources. Provided are linked websites with government document and news libraries, targeted discussion newsgroups and mailing lists that link participants in a global outreach effort.

FinanceNet's vision is to serve as a vehicle and catalyst for continuous improvement and innovation, at all levels of government, in the accountability and stewardship of taxpayer resources by impacting financial management resources, practices, policies and professional standards through the electronic sharing of best

practices and dissemination of electronic information. FinanceNet is a governmentwide electronic information clearinghouse that provides common sets of Internet communications and groupware tools to link intergovernmental administrative organizations in an effort to improve government administrative productivity and effectiveness.

FinanceNet is the official Federal government Internet "one-stop-shop" for electronic information on the public sale of all manner of surplus government property from loans, boats and planes, to cars, houses and jewelry—just about anything that any government, Federal, state, local or International, will be offering for sale to the general public.

FinanceNet also delivers Internet communications tools to intergovernmental organizations providing access to pertinent electronic information and a cooperative and synergistic medium for the sharing of ideas, successes, news, lessons learned, best practices and experiences. The tools include websites, listservers, newsgroups, online forums, groupware, databases and on-demand virtual meetings, more specifically:

(1) Internet access to current and archival electronic reference libraries of financial and administrative information including news, job openings, legislation, Congressional testimony, executive orders and memoranda, and Federal, international, state and local government financial management circulars, bulletins, releases, news, notices and announcements, and the content and deliverables of important intergovernmental organizations including meeting minutes, notices, guidelines, standards and reports;

(2) open and private discussion forums on a host of pertinent government finance and administrative topics to further stimulate dialog, information sharing and reinvention across all geopolitical boundaries by and between taxpayers, governments, vendors and educators, and;

(3) organizational Internet and Intranet groupware to facilitate the efficient, timely collection of information and to provide a shared platform for working on common documents and materials across geopolitical borders.

Government administrative organizations fully supported by FinanceNet's robust Internet communications tools currently include:

- U.S. Chief Financial Officers Council
- U.S. Small Agency Council (SAC)
- Joint Financial Management Improvement Program (JFMIP)
- Federal Accounting Standards Advisory Board (FASAB)
- Accounting and Auditing Policy Committee (AAPC)
- Federal Financial Managers Council (FFMC)
- Interagency Electronic Grants Committee (IAEGC)
- Budget Officers Advisory Council (BOAC)
- The BudgetNet Network
- Federal Credit Policy Working Group (FCPWG)
- International Consortium on Governmental Financial Management (ICGFM)
- Office of the Comptroller of New York City

To a lesser degree, support is provided for the:

- Association of Government Accountants (AGA)
- Government Finance Officers Association (GFOA)
- Governmental Accounting Standards Board (GASB)
- National Association of State Auditors, Comptrollers and Treasurers (NASACT)
- International Institute of Municipal Clerks (IIMC)
- National Council for Public-Private Partnerships (NCPPP)

More recently FinanceNet became the home for Vice President Gore's International Government News (GovNews) Project which now provides new, open access to government information and facilities for citizen feedback worldwide via the Usenet.

GAO Report: Performance Management, Aligning Employee with Agency Goals at Six Results Act Pilots

When Congress passed the Results Act, it recognized that agencies would need to make significant management changes and that substantial issues in areas such as Human Resource Management (HRM) would emerge during implementation of the Act. By the end of fiscal year 1996, 68 pilot projects representing 28 Federal agencies were developed to implement the Act's key provisions and address the issues and challenges involved in becoming performance-based.

GAO reviewed six of these pilot projects designed to include specific efforts to align their employee performance management systems with organizational missions and goals. They found that the six pilots that they reviewed, 1. Army Audit Agency (AAA); 2. Army Research Laboratory (ARL); 3. the Department of Energy's Federal Energy Technology Center (FETC); 4. the National Oceanic and Atmospheric Administration (NOAA) of the Department of Commerce; 5. the Small Business Administration (SBA); and 6. the Department of Veterans Affairs' (VA) New York Regional Office (NYRO), varied in significant ways.

One way was in the kinds of groups of employees on whom they focused. Four of the pilot projects focused on managers rather than on staff at other levels. Officials at the four pilot projects commonly said the focus was on managers because they were the ones most responsible for the business of the organization and for implementing change among its employees. In contrast, the two other pilot projects reviewed focused their approaches on essentially all employees, relying on total quality management (TQM) principles as a guide and organizing employees into self-directed work teams.

Another way the pilot projects varied was in the extent to which organizational goals were explicitly reflected in employees' performance plans. This explicit "linking" was commonly, although not uniformly, done for the managers who were the focus of their agencies' performance management efforts. It was generally done less

consistently for employees at lower levels of these agencies. At the two pilot projects using self-directed teams, the "link" to organizational goals was, at least initially, less explicit than was the expectation that employees would contribute to their teams' performance.



The pilot projects also varied in whether they emphasized creating accountability for results at the individual or team level. At the four pilot projects at which managers were the focus of performance management, a common factor was their generally traditional approach: managers' accountability for results was carried out through a system of expectation setting and evaluation by their superiors. In contrast at the two pilot projects using self-directed teams, officials emphasized TQM principles and focused on improving work processes and team performance rather than on conventional supervisory evaluations of employees. This difference was further reflected in the extent to which feedback by fellow employees was used as a performance management tool.

None of the six pilot projects reviewed reported having formally evaluated its employee performance management approach, but all reported possible benefits, some involving improved teamwork and communications and perceptions of greater accountability, and some involving higher customer satisfaction and improved service delivery. In addition, all six pilot agencies considered their approaches worth pursuing further, as demonstrated by the fact that each of them continued to refine or expand upon its efforts to align performance management with organizational missions and goals after the pilot project phase ended.

Despite the variety of approaches they took, the six pilot projects faced several common issues or challenges. The first of these involved identifying the flexibilities available to them - including HRM waivers and demonstration project authority - to

tailor their HRM systems to their organizational missions and goals and other organizational circumstances or needs. Officials at five of the six pilot projects said they had requested HRM waivers, but that, in general, their requests either did not gain approval or received no response at the departmental level. Three of the six pilot projects either have become or are expected to become demonstration projects, although none was a demonstration project during the period in which it was a Results Act pilot project (that is, fiscal years 1994 to 1996). However, despite the lack of HRM waivers or demonstration project authority during the pilot project period, all six pilot agencies found sufficient flexibilities available to them to take at least some steps toward aligning their performance management systems with their missions and goals and to address other organizational circumstances or needs.

The second issue or challenge identified, involved the six pilot projects' efforts to include in their performance management approaches appropriate and meaningful goals and performance measures. Most of the pilot projects that focused their performance management efforts on managers took generally similar approaches; in essence, the goals and measures for the managers' units or functional areas were the goals and measures for the managers. These pilot projects varied widely in their efforts to "cascade" these goals and measures to employees at lower levels. In contrast, the two pilot projects that used self-directed work teams took a different approach, establishing performance standards for employees using goals and measures that varied somewhat from those used at the organizational or unit level, and which were intended to focus employees on their contributions to their teams' performance.

Third, as the pilot projects worked to become more performance-based, each was confronted with the need to redirect its organizational culture toward a new understanding of the organization's mission or way of doing business and to secure the

Continued on Page 18.

USDA Embraces Electronic Commerce Initiatives With its Proprietary System

The Purchase Card Management System (PCMS) is the United States Department of Agriculture's (USDA) state-of-the-art on-line reconciliation and payment system for government credit card and convenience check purchases. PCMS is an easy-to-use Windows-based system developed by the USDA's National Finance Center (NFC) in partnership with the Office of Procurement and Property Management and USDA agencies. The system eliminates the processing of monthly paper statements and invoices, makes a single consolidated USDA payment, and provides comprehensive information for program management. In addition, USDA allows cardholders to write checks for government purchases against the purchase card accounts, a first in the government. The Microsoft Corporation Windows client-based system, developed with Oracle Corporation's Designer 2000, runs on an IBM RS/6000 server at the NFC. PCMS is a complete automated process, so that billing, account reconciliation, and payments to the bank are all done electronically.

Vendors send charges to the bank daily for card transactions. This information is transmitted from the bank to NFC in a nightly download. Cardholders can then access PCMS to reconcile their transactions. The bank electronically transmits the invoice information to NFC for scheduled disbursement. The system allows cardholders to modify accounting data, file a dispute directly with the bank, provide comments and descriptions, approve or disapprove transactions during reconciliation, and establish property records by simply pointing and clicking. It also includes an alert system to notify managers of questionable purchases within 24 hours and a report writing function that provides management information.

PCMS is currently being implemented Department-wide, totaling 17,000 cardholders with a projection of 22,000 by the end of Fiscal Year 1999. In addition,

40,000 fleet cards will be processed through PCMS eliminating the need to continue the operation of one of their legacy systems. PCMS is expected to achieve up to \$46 million in administrative efficiencies and cost avoidances by the year 2000.

Most of the savings in the new card management system come from avoiding the labor costs associated with an employee initiating and completing a purchase. The current purchase order process used in the Federal Government costs approximately \$77 per purchase order transaction. By using a purchase card program instead of the purchase order process, government agencies can reduce costs to about \$32 per transaction. Under USDA's new reconciliation and payment system (PCMS) for purchase card transactions, the average cost per transaction is even lower – \$17.

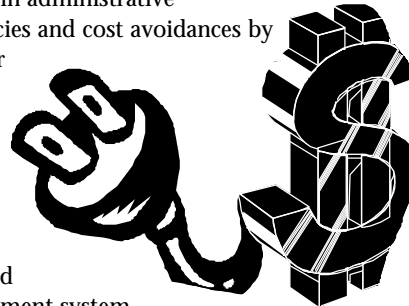
USDA's task order for purchase, fleet, and travel was awarded to NationsBank based on their combination of superior technical capability and aggressive pricing. NationsBank offers the best rebates and terms available for USDA and their customers. Because of USDA's volume, processing, and daily payment, USDA will receive the largest rebates. Several non-USDA agencies are being implemented into PCMS as their choice to streamline their daily procurement operations at a minimal cost. Interested agencies may piggyback on USDA's task order or USDA can receive electronic data from agencies banks, make an electronic payment, and transmit accounting data to agencies accounting system in the specified format.

The PCMS Team has received several noteworthy industry and governmental awards including: the *Leadership and*

Achievement Award for Promoting Electronic Government from the Industry Advisory Council of the Federation of Information Processing Councils; the *1996 Best Federal Showcase* for the Government Information Technology Executive council (GITEC), a first in the Federal Government; the Secretary of Agriculture's *Honor Award for Re-inventing Government*; and Vice President Gore's *Hammer Award*.

Major benefits provided by PCMS are:

- Reduces administrative costs
- Offers rebates/significant price reductions based on volume for our customers
- Web-enabled in the first quarter of FY99
- An audit oversight function that includes electronic alerts and statistical sampling eliminating the need for approving officials
- Consolidates and issues an electronic payment to the bank, thereby conforming to Debt Collection Improvement Act (DCIA) initiatives
- An automatic reporting link to the Federal Procurement Data System (Standard Form 281), assuring that agencies receive credit for their efforts to utilize targeted business types
- Interfaces with the Property System and Accounting Systems
- A Universal Tax Exemption Number for all clients
- Fleet card provides actual vehicle costs, monitoring by individual drivers, and net billing on applicable tax exempt transactions, all provided electronically
- Generates Form 1099, Statement for recipients of Miscellaneous or Interest Income or Taxable Grants for necessary transactions



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USDA Uses New Tools to Collect Delinquent Debts

USDA employees probably noticed that the "Remarks Box" on their "Statement of Earnings and Leave" for Pay Period No. 15 contained the following message:

"As required by Debt Collection Improvement Act of 1996, Department of Treasury has started to offset travel reimbursement payments to USDA employees with delinquent Federal debts. If you are impacted, you should immediately make arrangements with debtor agency to establish payment agreement."

Earlier in the year, a similar message appeared in the "Statement of Earnings and Leave" for Pay Period (PP) No. 5 as follows:

"Beginning in PP07 NFC will start taking salary offsets for the collection of delinquent child support payments and Federal debts, under the Treasury Offset program of the Debt Collection Improvement Act of 1996."

These are but two of the techniques which USDA is using to help ensure compliance from its employees who have delinquent Federal debts or who are delinquent in child support payments.

According to Dick Guyer, Director of the Fiscal Policy Division in the Office of the Chief Financial Officer (OCFO), the *Debt Collection Improvement Act* (DCIA) of 1996 was passed to provide the Federal government with additional tools to employ, in order to both speed up and maximize collection of delinquent debts owed to it. The program was subsequently expanded to cover delinquent child support payments as well.

Mr. Guyer explained that the term 'offset' is the buzzword which is used to describe the procedure in which an employee's salary can be 'garnished,' or reduced, by a certain amount each pay period, until the delinquent Federal debt or the delinquent child support payment has

been paid in full. If an employee's salary is going to be 'offset' or reduced to make that delinquent payment the amount of the reduction cannot exceed 15 percent of the employee's gross pay, each pay period.

He also advised that in contrast the DCIA does permit the confiscation—in its entirety—of an employee's Federal income tax refund, a payment for a cash award, or a reimbursement for official travel, in order to pay off that debt.

Delinquent Federal debts aren't just owed by government employees. The financial debt to USDA is also from such activities as rural single or multi-family housing loans to borrowers, farm ownership or operating loans to borrowers, loans for rural utilities, over-issuances of food stamps, and fines levied against arsonists in U.S. national forests.

The 'entities' which owe money to USDA can be an individual, partnership, corporation, retailer, or even an entire community. "USDA is the largest lender in the Federal government," he underscored.

The U.S. Department of the Treasury is the 'collection and enforcement arm' for these collection measures. USDA's role is to make sure that the accurate and proper debt amounts are forwarded to the Treasury Department, prior to the beginning of Treasury's collection efforts. Primary players in that role for USDA include OCFO's Fiscal Policy Division, the Financial Services Division at the National Finance Center in New Orleans, and the Program Management Division in the Rural Development mission area's Finance Office in St. Louis.



Ron Bernhard, Director of National Finance Center's Financial Services Division, noted that the Treasury Department assumes the responsibility for collecting on a loan that is over 180 days delinquent but USDA stays involved before that 180-day-mark is reached. During the 180-day period, USDA tries to help resolve the debt situation by looking for ways to "work things out."

Mr. Bernhard has suggested such measures as staggered payments, refinancing delinquent loans, as appropriate, searching for other sources of payment, or creating some other method of payment agreement. Also, when the delinquent debt is a loan, it's not referred to that loan as 'delinquent' until they've exhausted all of the servicing requirements which are part of that particular USDA loan program. USDA believes that every debt to USDA should be repaid in accordance with the terms under which it was made.

The Jan.-Feb. 1998 issue of the *USDA News* carried a story on the various methods that USDA's customers can use to make payments they owe to the Department.

And how successful have USDA's efforts been in helping to collect on debts owed to it? OCFO asset management team leader Dale Theurer said that since the Debt Collection Improvement Act of 1996 went into effect in July 1996, an estimated \$100 million—that was owed to USDA but that was considered otherwise uncollectible—was, in fact, ultimately paid back to the Federal Treasury, from an estimated 51,000 delinquent "entities." He pointed out that the \$100 million figure included \$47 million in FY 1997 and \$53 million thus far in FY 1998.

And how about comparable statistics on the amount of delinquent child support payments, and the number of USDA

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Core, continued from Page 9.

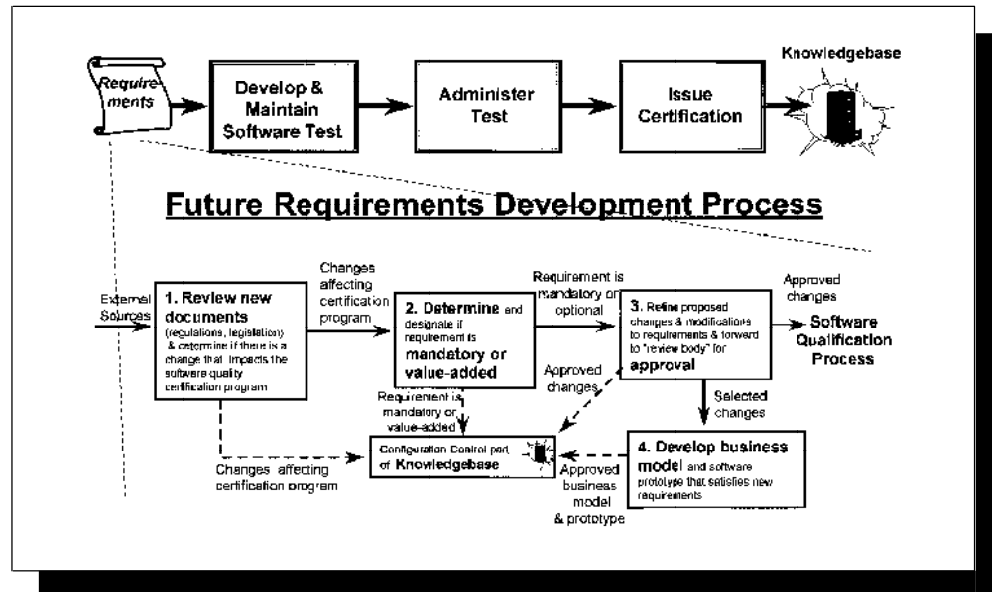
The requirements also have three major groupings which include core financial requirements, core system technical requirements, and core vendor support capabilities. The core system financial system requirements are from the JFMIP Core Financial Systems Requirements document.

There are three new requirements shown in the Core Financial Management Functions comparison chart: System Management Integration, Budgeting, and Working Capital Fund. System Management Integration represents requirements from the JFMIP Framework publication. Budgeting was included to satisfy the Office of Management and Budget's A-34, Budget Execution requirements. The Working Capital Fund section was added as mandatory for Agencies that have this function and value-added for Agencies that do not.

In addition, the core system incorporates technical requirements which also have mandatory and value-added requirements. The mandatory requirements exist for Security/Internal Controls such as system data access and data integrity, and Year 2000 compliance. Examples of value-added features include Integrated and Workflow Management interfaces (i.e., electronic mail and electronic approvals), and General Technical requirements, such as system architecture/platform performance and electronic data interchange.

The Core vendor support capabilities, which are mandatory, identify that vendor services are important to agencies and also help to develop a common understanding of vendor capabilities. Vendor support capabilities include:

- General requirements (e.g., architecture support and performance)
- Training requirements (e.g., for technical and user personnel and top management)
- Documentation requirements (e.g., documentation for system analyst and programmers)
- Software Maintenance and updates requirements (e.g., for change and version control)
- Technical Assistance requirements (e.g., for implementation strategy)



Taking into account the changes in law and regulations, the number of mandatory requirements have increased from the 1995 issuance of the Core Financial System Requirements document from 234 to 308. The new requirements include 279 functional, which will be listed in the next Core Financial System Requirements publication, and 29 system requirements which are listed in the JFMIP Framework publication. Agencies are aware of these requirements but the requirements had not been communicated to the vendor community in a concise manner.

The proposed requirements process is designed to allow dynamic updates and comments and provide for review and approval. During updates to the requirements, proposed changes can be posted in the JFMIP web site - JFMIP Core Financial System Knowledgebase. Vendors and Agencies can comment prior to the "for comment draft" and JFMIP will have an opportunity to respond and amend the requirements. This proposed process allows for an annual update process to formally change requirements.

The Core Financial System Requirements that are posted on the JFMIP website are in a format that facilitates maintainability and testing linkage. The format is as follows:

- Requirement Number
- Description
- Status (mandatory or value-added)

- Change Status (currently)
 - same
 - new
 - changed
- Change Status (future)
 - approved
 - proposed
- Source
- Key dates
 - changed date
 - effective date
 - earliest test date
- Linkage to test
- Changes to requirements are highlighted.

You can access the Core requirements through the JFMIP Program Management Office (PMO) webpage at www.financenet.gov/fed/jfmip/jfmip.htm - see Knowledgebase article. In the future, the JFMIP will issue an Exposure Draft of the *Core Financial System Requirements* which will include the mandatory requirements only. This document will institutionalize the changes in these requirement through the traditional process while allowing the test and certification development process to get underway. This concurrent process is necessary to have the test and certification process in place in time for the new contract vehicle. □

Fellows, continued from Page 7.

announced the availability of a new CFO Fellows website, www.financenet.gov/financenet/fed/cfo/fellowws. The website will be used as a communication tool among the Fellows, as well as a means to broadcast the latest news and information on the Fellows' activities/accomplishments and annual CFO Council Fellows Program announcements. For more information on the program, access the CFO Fellows website at the above address or contact John Amey, Sr. Program Manager - USDA Graduate School, on 202-314-3408. □

CG, continued from Front Page.

Mr. Walker earned an accounting degree from Jacksonville University in Florida. He is a CPA and registered investment advisor who has worked in auditing at Coopers & Lybrand and Price Waterhouse, and in regional operations management with Source Services Corporation, an international human resources consulting and search firm, and Coopers & Lybrand. He has 12 years of federal experience, from 1983 to 1995, which include serving as acting secretary of labor for pension and welfare benefit programs, and as a public trustee of the Social Security and Medicare trust funds. □

Knowledgebase, continued from Page 11.

sortable and searchable Knowledgebase. The site will also contain the qualification test scenarios and answers to help vendors prepare for the test, saving both vendors and the government time and effort in test administration. Making this information publicly available represents a significant change from past practices - and one strongly supported by vendors as well as government agencies. In addition, the test scenarios will be linked to requirements so the intent of each scenario is more clearly understood by vendors and agencies.

The Web Site will feature a "What's New" section that will announce meetings, highlight proposed new requirements, propose changes in tests, and provide test results. Other features of the Web Site include a downloadable reference documents section, links to the General Services Administration (GSA) site with a list of certified system software vendors, vendor qualification applications and instructions, best practices and lessons learned, and a public discussion area to exchange ideas.

JFMIP Knowledgebase - Core Financial System Web Site access is available through the JFMIP webpage on Finance Net (<http://www.financenet.gov/fed/jfmip/jfmip.htm>). □

Debts, continued from Page 15.

employees who have been delinquent in those payments?

Mr. Theurer advised that unlike the statistics on delinquent Federal debts and the accompanying delinquent Federal debtors, statistics concerning individual delinquent child support payments—and on those individual delinquent payers—are considered private information.

Mr. Bernhard added that at USDA, even though they help process, for the Treasury Department, the collection efforts for delinquent child support payments of USDA's employees, they don't even know who those employees are by name, how many there are, or how much money they owe.

Regarding debt collection, how does the Department compare to the rest of the Federal government?

Mr. Theurer advised that the average delinquent rate across the Federal government is 20 percent—but the average delinquent rate across USDA is 7.2 percent. "This means," he explained, "that, of all of the monetary payments due annually to USDA, 7.2 percent is delinquent."

"And," he added, "when you factor in the fact that about 5 percent of all payments due might be considered uncollectible—such as in defaults, foreclosures, bankruptcies, or litigation, or in payments due from some foreign countries—then we calculate that 'only' about 2.6 percent of all payments due to USDA, which are considered collectible, are delinquent."

"So we think that, regarding the collection of delinquent debts to USDA, we're doing something right." □



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IGNet, continued from Page 11.

- Federal and Defense Acquisition Regulation (FAR) Cases relevant to EC/EDI - links to status of cases.
- Digital Signatures and Encryptions - a list of links to guidelines and standards.
- EC/EDI Technical Standards - an extensive list of military standards, Institute of Science and Technology Publications and relevant internet standards.

Another fairly new IGnet focus area is the Year 2000 (Y2K). The President's Council on Integrity and Efficiency Information Roundtable has developed two pages that concentrate on Y2K. The first page is an Internet link library of current activities/initiatives to confront/use information technology that may be of interest to the OIG community. The link library list reads as a database, summarizing the activities/initiatives and providing links to sources. Organizations represented in this library include: the Information Systems Audit and Control Association, the Institute of Internal Auditors, the National Institute of Standards and Technology, the Software Engineering Institute, the General Services Administration and the General Accounting Office.

The second Information Roundtable Y2K page focuses on IG Y2K activity. Subdivided by agency, the page provides an inventory of on going audit efforts relating to the Year 2000. Participating agencies include: the Department of Defense OIG, the Department of Agriculture OIG, the Department of Veterans Affairs OIG, the Defense Intelligence Agency Inspector General, the General Services Administration OIG and the Air Force Audit Agency.

IGnet will continue to grow as a resource for sharing information pertinent to today's audit challenges. Special focus area page, general libraries of audit programs, and other resources will be developed over the next year. Visit IGnet.gov often to find the most current

FinanceNet, continued from Page 12.

Founded in 1994 at Vice President Gore's Office of the National Performance Review in Washington, D.C., FinanceNet's coordination, policy and support are now provided by the U.S. Chief Financial Officers Council, an organization of the CFOs of the 24 largest Federal agencies and departments. Operations for FinanceNet are provided by the FinanceNet staff at the National Science Foundation (NSF).

Financial management professional associations and state and local governments are encouraged to actively participate in FinanceNet's activities, post documents on its electronic libraries and educate audiences and stakeholders about FinanceNet's services. FinanceNet staff can demonstrate its available services to professional associations and appear at trade shows and conferences. Contact FinanceNet's Executive Director, B. Preston Rich, at the NSF for arrangements at (703) 306-1282. □

GAO Report, continued from Page 13.

buy-in of employees. Pilot project officials who spoke about redirecting organizational culture almost uniformly said that cultural change at their agencies had not yet been fully accomplished.

The fourth issue or challenge identified involved unintended consequences that pilot project officials said they confronted in implementing their new approaches, some finding that employees might try to manipulate the performance measures to make their performance look better than it might actually have been - or might perceive a lack of fairness in the approach's implementation. Officials at the six pilot agencies generally were aware of their employees' concerns and reported steps they had taken to keep abreast of the views of the managers and other employees who were the focus of the agencies' performance management efforts. □

Electronic Commerce, continued from Page 14.

- Generates cardholder reports and allows ad-hoc reporting for agency-specific needs
- Streamlines processing by reducing/eliminating Imprest Fund, FEDSTRIP, Miscellaneous Payments System, Third Party, and Purchase Order transactions
- Allows posting of information, including regulatory data on the PCMS bulletin Board

USDA's Office of Procurement and Property Management is pursuing additional modernization efforts with its development of the USDA Acquisition Tool kit. It offers a one-stop Electronic Service Center with one-time data entry systems and automated integrated procurement tools capabilities. Some of the features that are available include Commerce Business Daily (CBD) Net, Excluded Parties List, Treasury List of approved Sureties, National Institute of Health (NIH) contractor Performance System, Davis Bacon Wage Determination Decisions, Service Contract Wage Determinations Decisions, SBA-PRO-Net, GSA Advantage, and User Guides. Others are in the process of development, including an Integrated Acquisition System, which will provide a simplified acquisition and formal contracting module supporting the total functionality of the procurement processes (i.e., create requisition, develop solicitation, electronic commerce, award, receiving, payment process, closeout, etc.). New links/applications will be added as the need is identified. Visit USDA's procurement page at usda.gov/da/procure.html, or if your agency would like additional information, please contact either USDA's Contracting Officer's Representative, Sue Poetz at 202-690-3756 or the USDA's National Finance Center, Financial Information Branch at 504-255-5230. □

Profile, continued from page 5.

The Government Performance and Results Act has been useful in linking strategic plans, tactical plans, and performance measures to the budget. The critical issue is to identify a few key performance measures that are critical to the success of an organization rather than a multitude of measures that can blur overall performance. He believes, however, that the Federal government has more than enough legislation dealing with financial management. What agencies need is a reasonable opportunity to put in place the structure, systems, and people to handle what we already have.

Another area of concern is the budget process. Given the size and complexity of the Government, it is difficult to balance the legitimate needs against the goal of minimizing budgetary growth. It can be especially difficult if personnel comprise a large portion of an agency's costs. At the same time the reporting and compliance requirements keep increasing. One of the problems with the current system is the reluctance to eliminate any existing programs. Mr. Gregg's experience shows that an agency is much more likely to be able to retain funding with some incremental increase for a program of marginal value than it is to get funding for a new program with greater value.

When asked about standardization of agency financial system requirements, Mr. Gregg stated that he is generally leery of the "one size fits all" approach. He thinks it depends on how far you go with this sort of thing. You have to recognize that each Department and agency has its own unique features and quirky statutes to live with. Thus, trying to build some "super system" that everyone can plug into isn't going to happen. At the same time there are significant benefits to have consistent data for Government-wide information and accounting data that is being fed into a central agency such as OMB or Treasury. For example, there could be noted improvement in accounting if all agencies used the U.S. Government Standard General Ledger.

When using off-the-shelf software, Mr. Gregg explains that each application needs to be examined to see what's the best approach. If there is "off the shelf" software that does the job and the costs are reasonable, there are advantages to going that route. At the same time the agency needs to avoid the tendency of modifying the software so that it becomes a customized system. If you are going to develop the software, the key is to decide what you want to build, obtain the involvement from the users, and then not allow the system requirements to grow.

He contends that there are three major problems to successful government-wide improvements in financial management.

1. There is just too much on everyone's plate.
2. Many of the systems that are being used are out of date, cumbersome to use and maintain, and don't provide sufficient information.
3. There is a strong tendency to replace existing systems with "new" systems without carefully re-examining business needs. You should ask, what is needed? We need to look to the future

and begin building the kind of systems that fix the underlying problems and not just continue to do patchwork repairs.

Mr. Gregg adds that in the next 5 - 10 years there are a couple of problems that will be facing financial managers. There is a great need to develop long range plans that actually put in place the systems and processes that provide the financial information that is accurate, timely and easy-to-use. Far too often we only focus on the short-term and on the symptoms rather than the cause. He also believes that we need to make far greater use of the Internet, not only in providing information, but also in conducting transactions.

To improve the role of financial managers in the Federal government, Mr. Gregg believes that the most important thing is a recognition by the senior management across government to shift the thinking on the underlying purpose of financial management. He means that the statutory requirements for the most part reflect needed improvements in financial management. However, if they are viewed only as "external" requirements rather than as essential for the proper management of organizations, they will not get the support and leadership required.

He points out that critical Human Resource issues can be addressed with more flexibility in hiring and firing. While that would help, it's not the most important problem. He says that the most important HR issue is to create an organizational climate that attracts and keeps good people. We should create a work environment where people are motivated and feel that they can contribute. In addition, we need an organization that holds people accountable, minimizes unnecessary bureaucracy, and is able to make decisions.

Looking towards the future, Mr. Gregg's first goal and priority is to make absolutely sure that on January 1, 2000, all of FMS' critical systems are operating properly. Another goal is for FMS to be considered by other agencies as an organization that shows leadership, but also works closely with the agencies on planning and implementing programs and systems. He also would develop, within FMS, a common culture that shares information, works together as a team, discusses issues freely but once a decision is made speaks with one voice and minimizes bureaucratic formality and rigidity. The fourth goal is to develop a long range plan on where we're going and to get there in incremental steps. He feels that while FMS has had some significant achievements, there have also been times when FMS has not worked closely enough with other government agencies before making a decision. Also, at times, FMS has not provided leadership in resolving problems that cut across government agencies and programs. He would like to strengthen and focus FMS to attain these goals and to improve Federal financial management for the next millennium. □

Mark Your Calendar

JFMIP 28th Annual Financial Management Conference

March 19, 1999

We Goofed

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